



AGRICULTURAL BULLETIN

Volume XXVIII

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Number 2

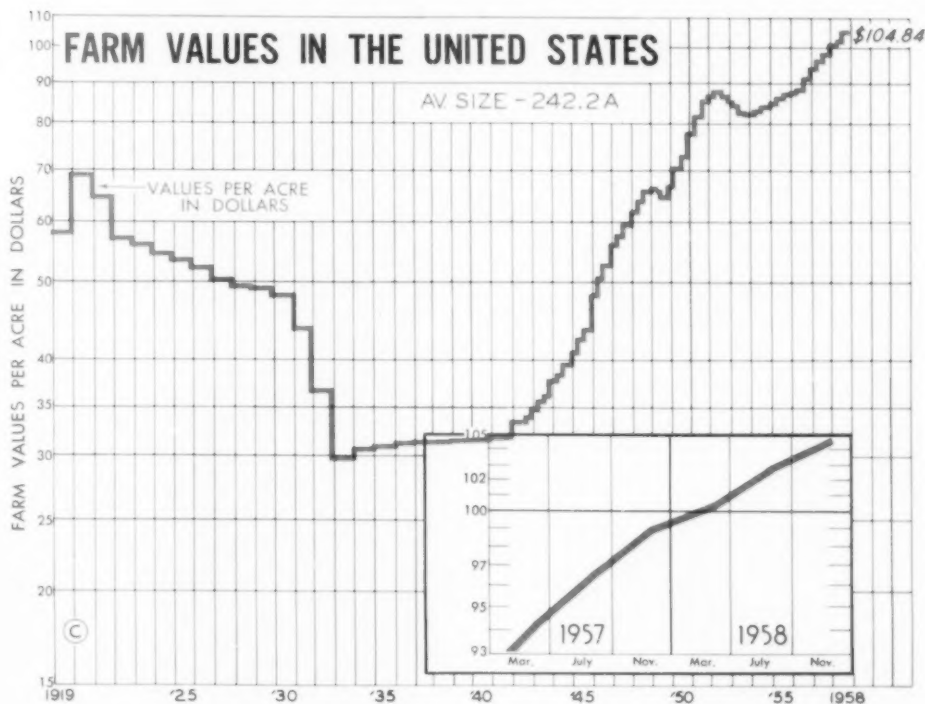
Real Estate Economists, Appraisers and Counselors

FARM VALUES HIT ALL-TIME HIGH

IN the 4 months ended November 1, 1958, the average value per acre of farm real estate advanced in all States but Idaho and New York where the values remained the same. The estimated \$104.84 per acre established a new high, exceeding that previously set last July by 2% or \$2.30.

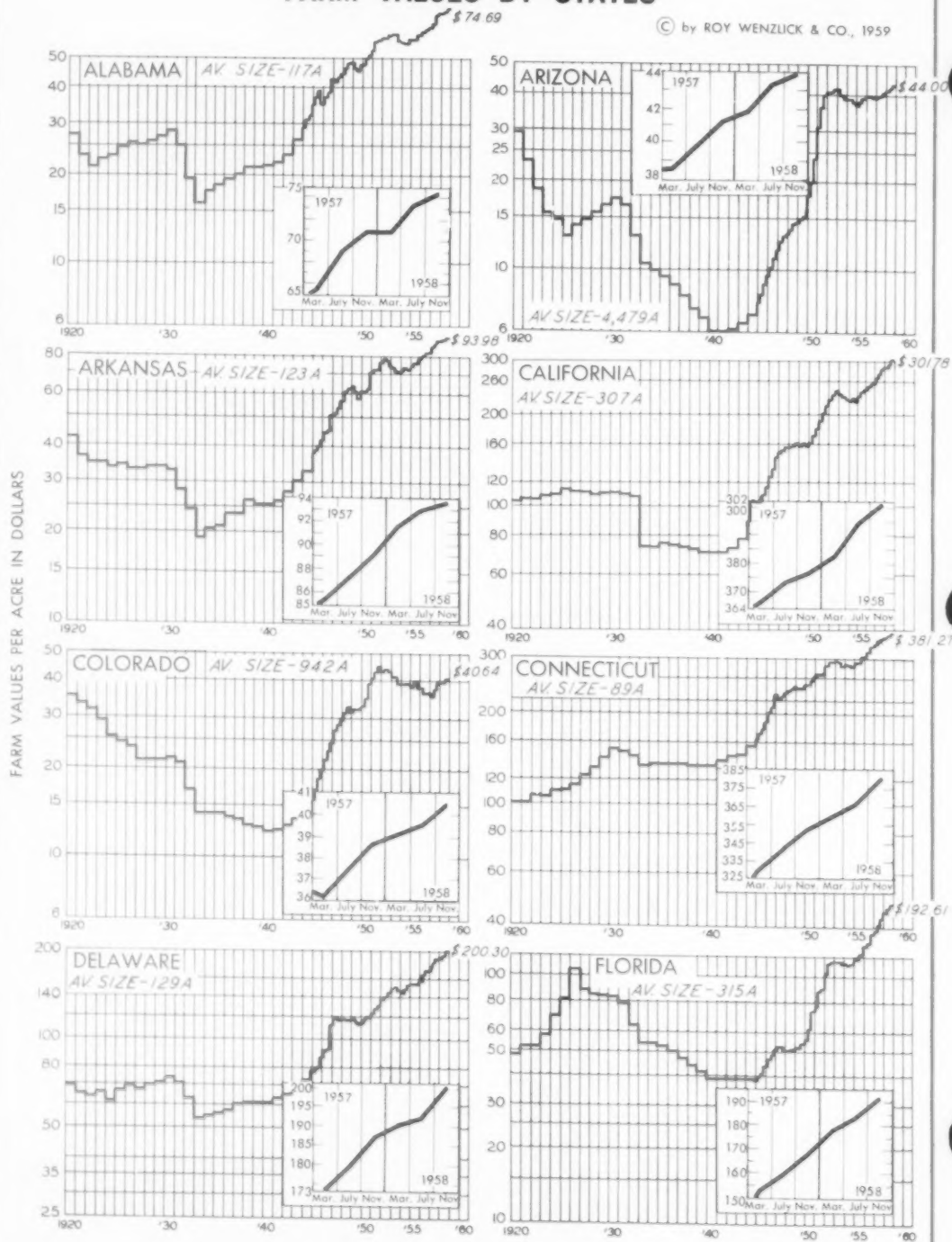
Some of the factors contributing to the increase in the last 4 years have been inflationary pressures, demand for land for nonagricultural uses, Government programs, and the reductions in farm unit costs made possible by enlargement of existing operating units.

Furthermore, the prices received by farmers in 1958 for farm products, together with the excellent outlook for wheat in former drought areas, have had
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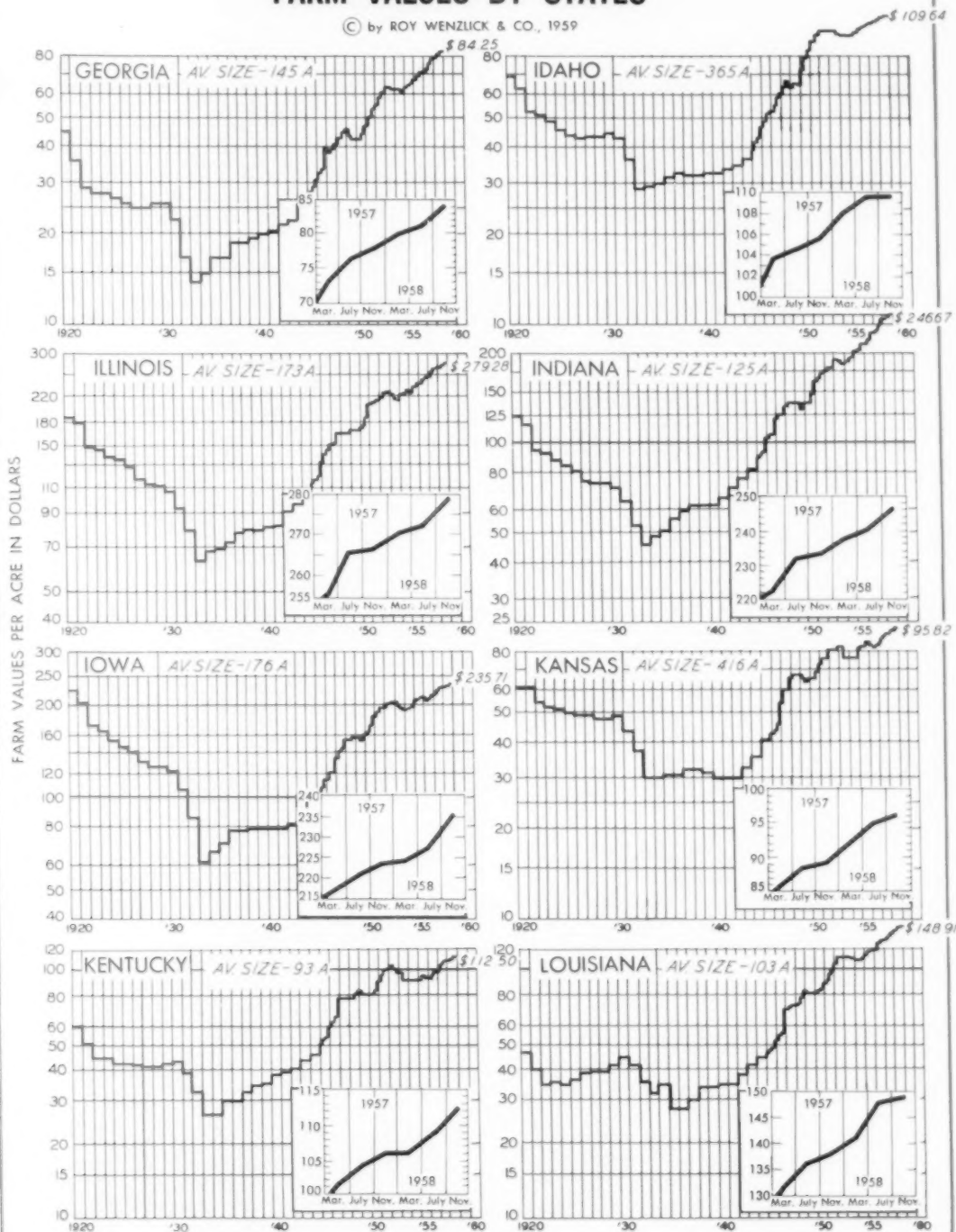
FARM VALUES BY STATES

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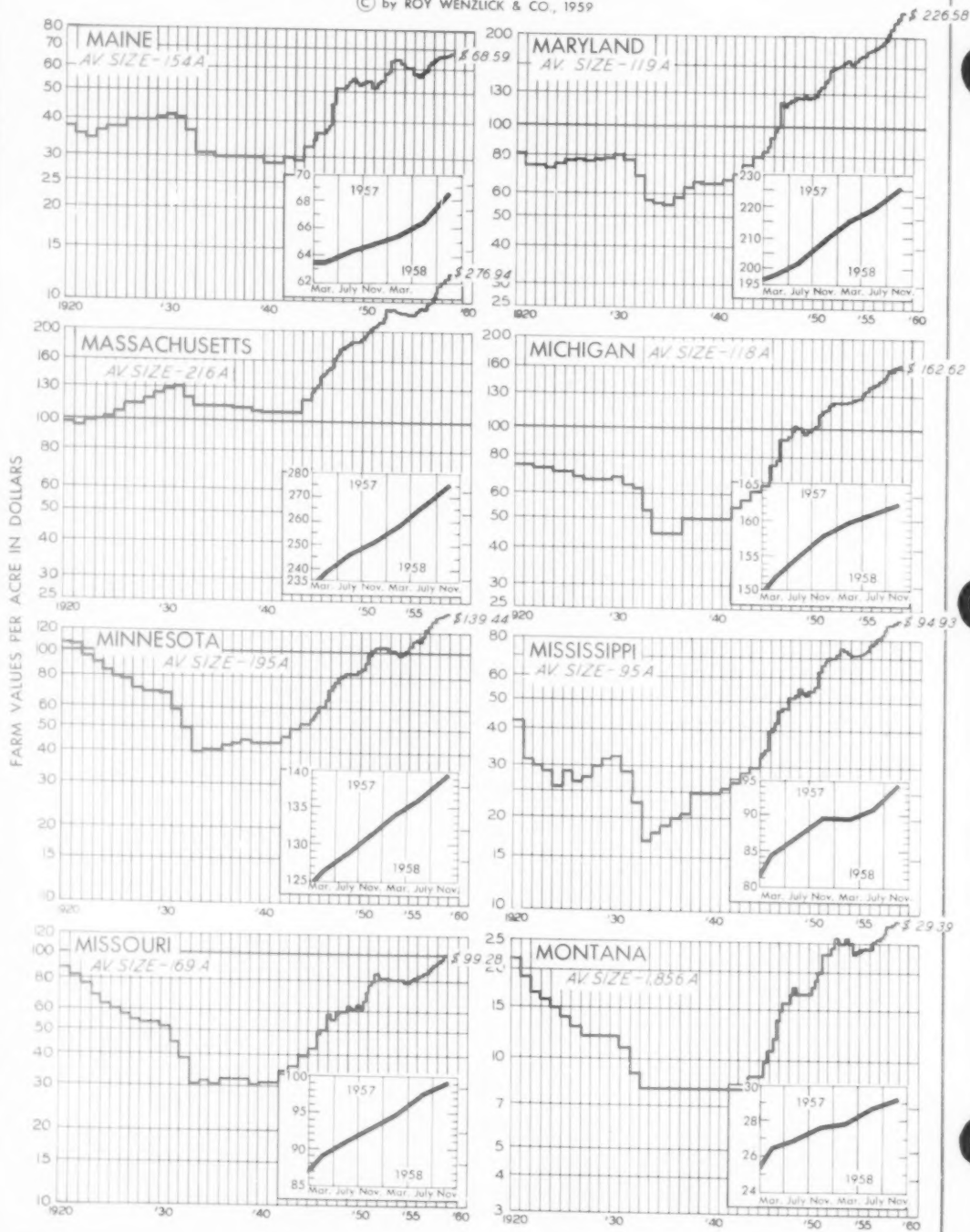
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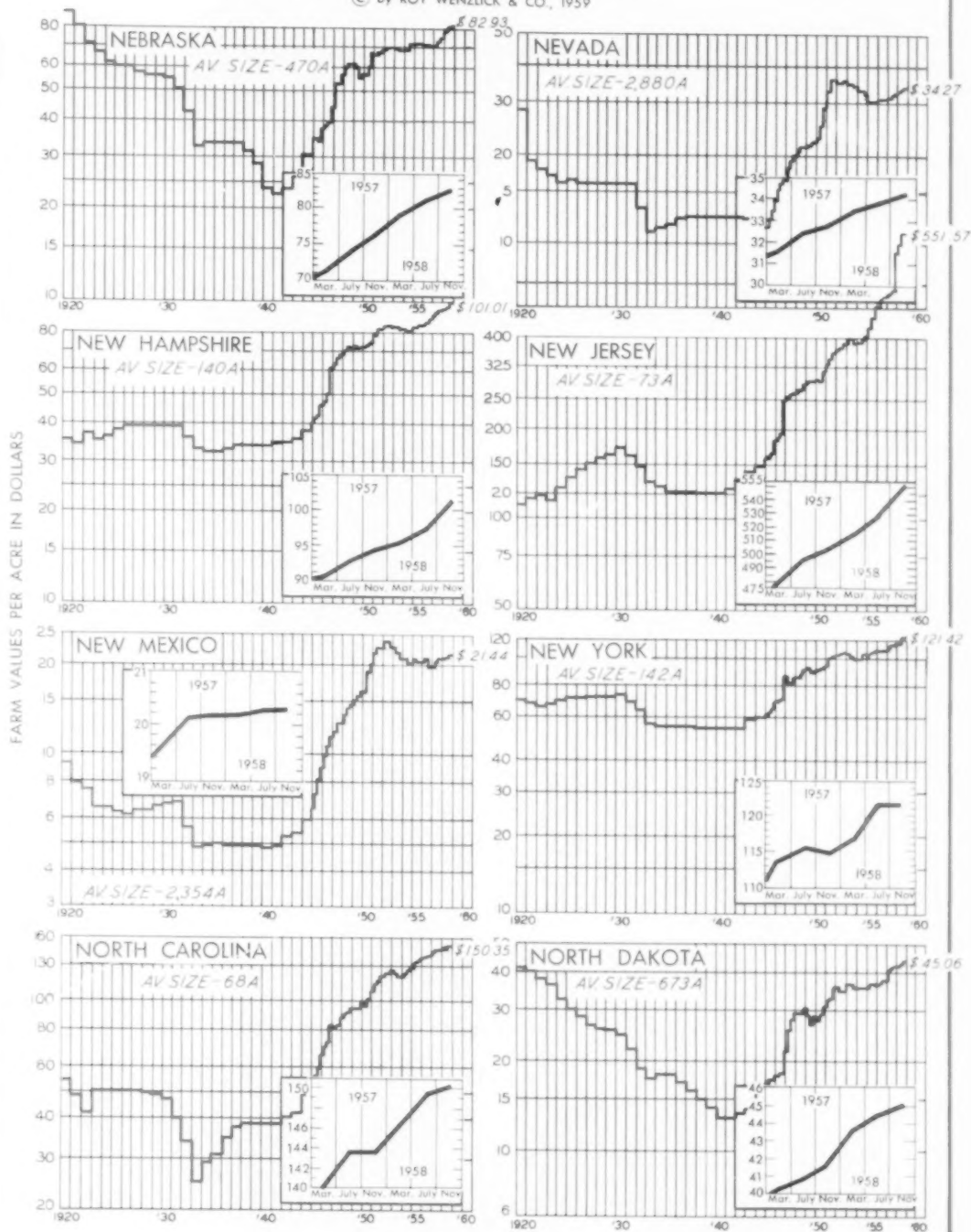
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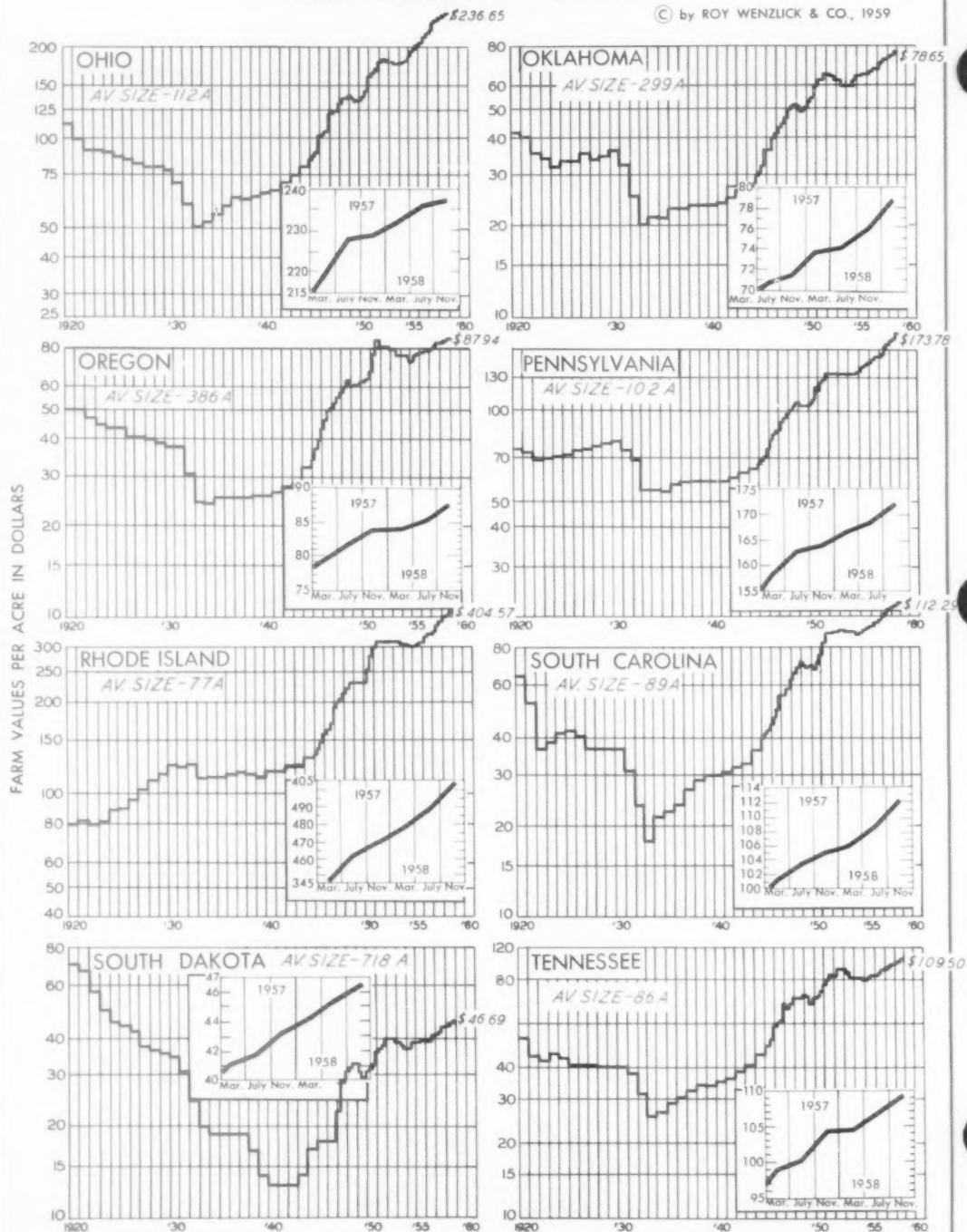
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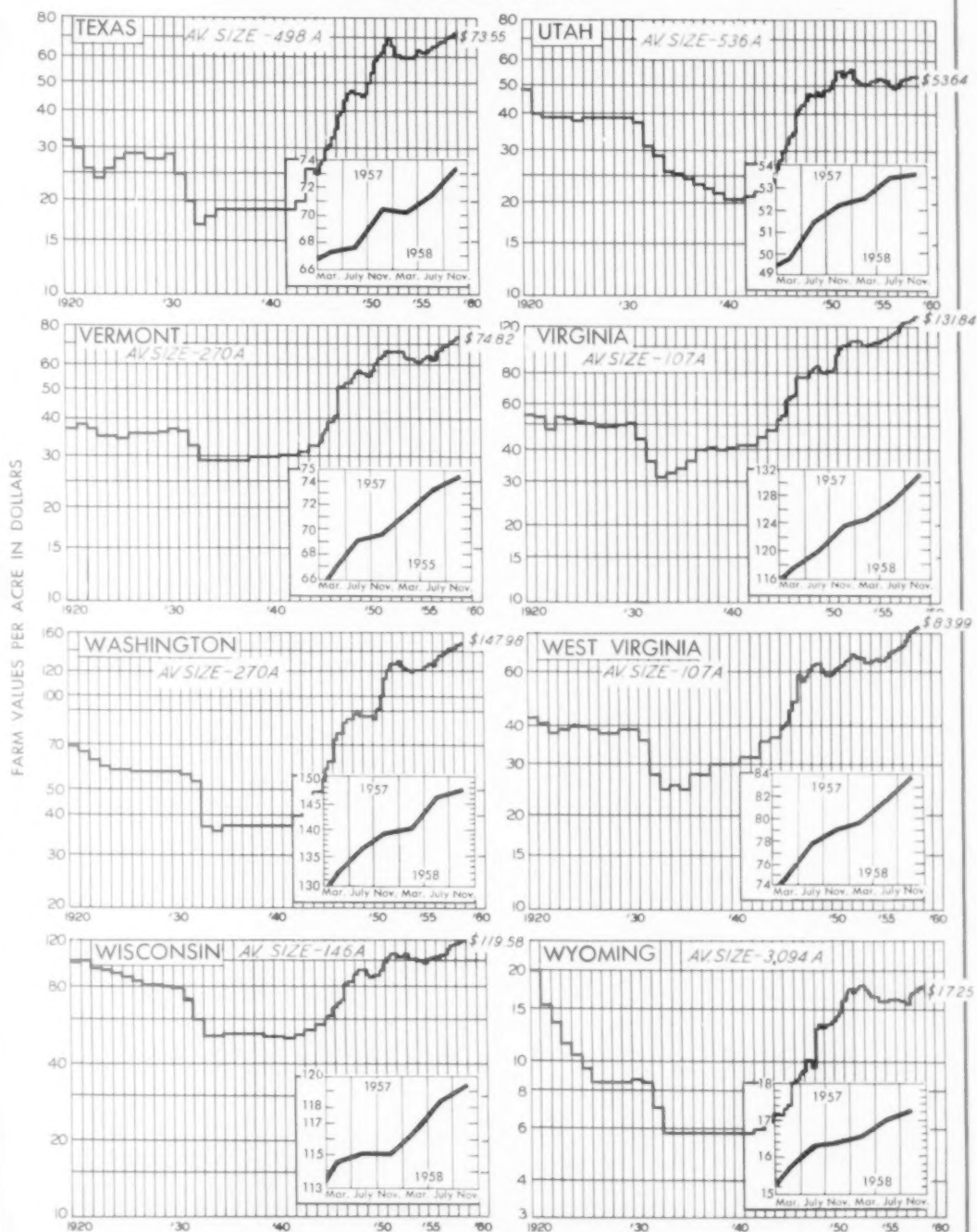
FARM VALUES BY STATES

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(cont. from page 25)

a tendency to boost the market price of farm real estate in some sections of the country. Those areas affected by adverse weather conditions, delayed harvest or damaged crops, recorded little change in land values.

The trend toward larger farm units, together with increasing demand for land to enlarge existing farms, continues at a rapid rate. This type of demand is more obvious in wheat-producing States, the Corn Belt, western cotton-growing areas, and range-livestock areas. Yet in recent years, continued increases in land values per acre (without greater increases in farm income) have reduced the rate of return on capital invested in farms.

Last year net farm income, after expenses and interest allowances, amounted to an estimated 3% return to real estate. The average rates for the past 3 years have been the lowest since 1932-34 and about equal to those from 1910 to 1915. The highest rates recorded occurred between 1942 and 1948 when the return on farm real estate averaged 10.5%. This unusually high return was, for the most part, due to the sharp rise in farm prices and earnings during World War II and the postwar period, with slower increases in farm real estate values. Therefore, the increases in farm values we have been experiencing merely represent a return to the relationships between land values and farm earnings prevailing before the war.

Despite declining rates of return, landowners have been hesitant to liquidate their holdings. Part of this is explained by the fact that farm values since 1940 have appreciated about 60% more than the general price level. Furthermore, it is less essential for farmers to realize the maximum return from their investment in land because so many have incomes from nonfarm sources.

A sizable capital gains tax, which would have to be paid if farm real estate were sold at present peak levels, is a further deterrent to real estate transfers. This factor alone is a strong force in pushing up the market price on the limited amount of land available for sale.

